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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

THERE is much in the charts in this report which seems encouraging. The most surprising factor in the real estate picture is the stability of prices of existing houses in well-maintained neighborhoods where there have been no adverse influences. Contrary to the opinion which we frequently see expressed, the prices of those residences which are sold are not declining, although the number of sales is disappointing.

Looking first at the general chart on real estate activity on page 533, it will be noticed that the readjustment in real estate below our long-term normal line is following the expected pattern. This would indicate that during the period ahead, real estate sales, particularly on residential properties, will be slower than they have been in the 13-year period we have just come through.

Residential rents are still rising, and this rise continues in most parts of the United States. Only a very few cities, which have been experiencing more than the average amount of unemployment, have had a leveling off of the increase experienced elsewhere.

Mortgage activity has followed real estate activity rather closely, and during the past quarter has been at the lowest level since 1945.

Foreclosures are still slinking along the bottom of our chart, a trend far different from that after the peak was passed in the real estate boom of the 1920's. We cannot repeat too often that foreclosures started rising in 1926, and were already high by 1929. Certainly the present level of foreclosures and their behavior during the last 13 years would not indicate that any severe readjustment in the real estate situation has started or is in early prospect.

The number of new dwelling units built per year per 1,000 families is currently running at 23.6. During the past few months we have seen the lowest rate on residential building since 1947, and it seems doubtful that this rate will rise a great deal during the next few months. The stock market during the past quarter has shown a considerable reaction from the highs, but whether this is merely a necessary correction from the rapid rise of the last few years, it is still too early to say.

The cost of building our standard six-room frame house is still showing some rise, due primarily to increases in labor costs. The chart on page 531 should prove interesting, as it shows how the cost of this standard house has varied from 1913 to the present. The red line on this chart shows the fluctuations in the sales price of a somewhat similar existing house in a well-maintained neighborhood. Undoubtedly, a part of the reason the selling price of existing housing is holding its own, is the increase in replacement cost of new buildings. Just so long as the cost of building a new house continues upward, there will not be a major drop in the selling prices of existing buildings.

The chart below shows the trend in the selling price of existing housing in greater detail during the last few years. This chart certainly would not indicate that there has been any collapse in selling prices thus far.

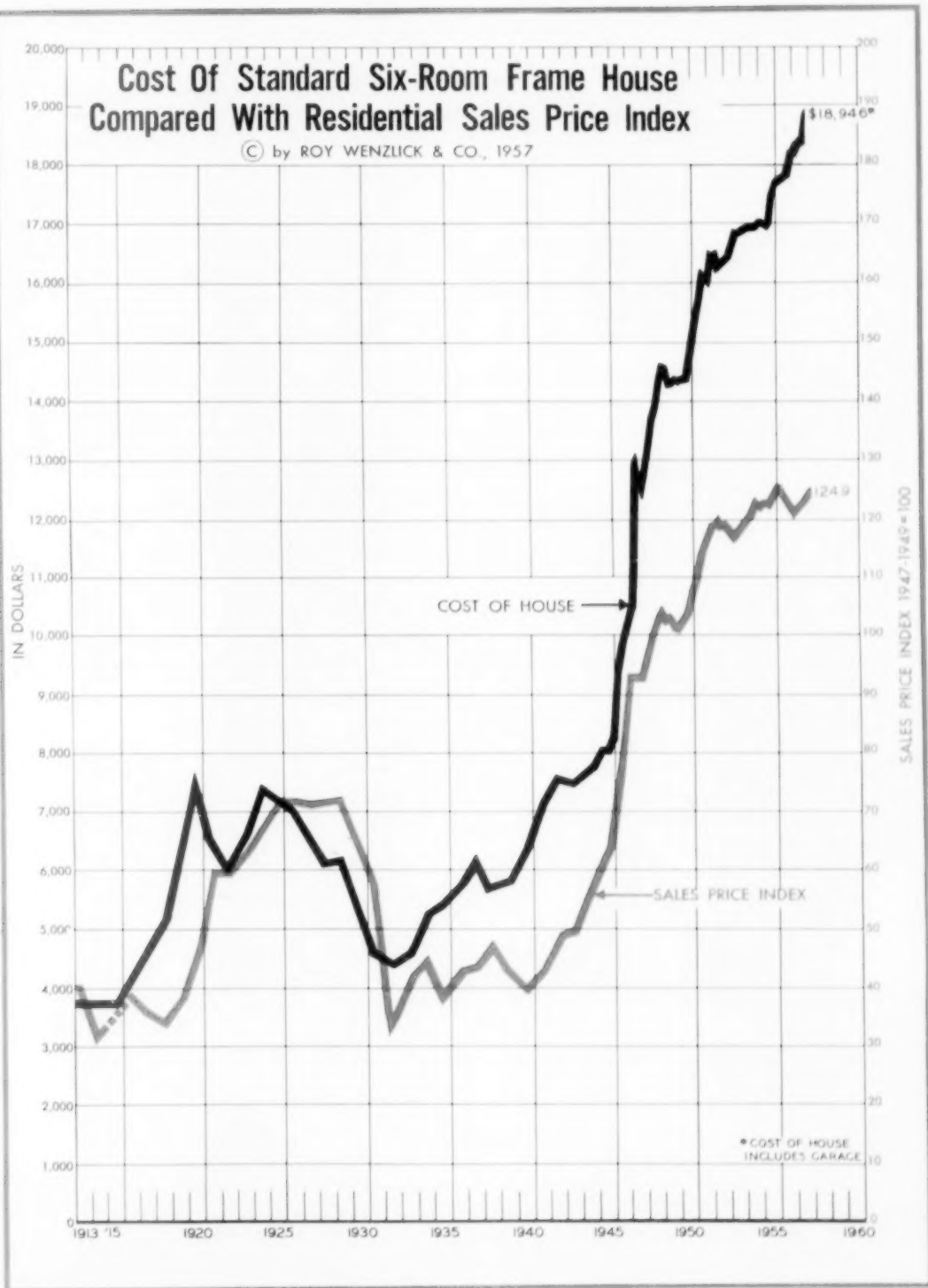
The average interest rate of recorded mortgages in 12 major cities of the United States is still rising, as shown in the table at the top of page 532. The last month for which figures are available is October, and these figures showed some increase over those of the preceding month. The increase in comparison with October 1956 was substantial.

Real Estate Sales Price Comparisons



Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period	Date	Trend in selling price	Probable selling price of a house that sold for \$12,000 in 1947-49 period
1947-49	100.0	\$12,000	Oct. '48	104.5	\$12,540
1913	40.1	4,812	Oct. '53	119.7	14,360
1918	34.1	4,092	Oct. '54	122.3	14,680
Mar. '29	73.9	8,868	Oct. '55	125.1	15,010
May '32	34.8	4,176	Jan. '56	125.3	15,035
Apr. '34	44.8	5,376	May '56	123.5	14,820
July '37	40.1	4,812	Oct. '56	121.9	14,630
Apr. '38	42.8	5,136	Jan. '57	121.9	14,630
Mar. '41	40.1	4,812	May '57	123.9	14,870
			June '57	124.1	14,890
			July '57	124.2	14,900
			Aug. '57	124.7	14,965
			Sept. '57	124.7	14,965
			Oct. '57	124.9*	14,990*

*Preliminary.



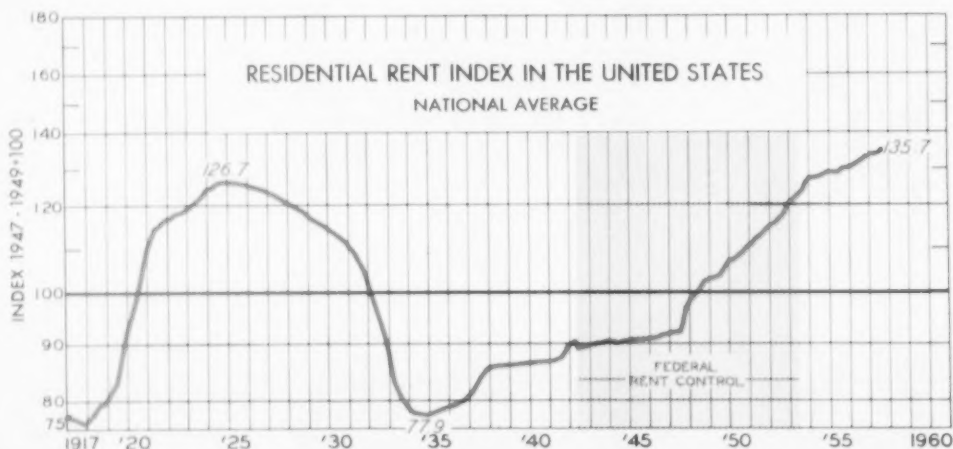
AVERAGE INTEREST RATE OF RECORDED MORTGAGES IN 12 MAJOR CITIES OF THE UNITED STATES

Jan. '54	5.187%	Jan. '56	5.105%	May '57	5.486%
Apr. '54	5.173	Apr. '56	5.157	June '57	5.505
July '54	5.089	July '56	5.141	July '57	5.501
Oct. '54	5.092	Oct. '56	5.229	Aug. '57	5.515
Jan. '55	5.045	Jan. '57	5.363	Sept. '57	5.580
Apr. '55	5.079	Feb. '57	5.478	Oct. '57	5.602
July '55	5.050	Mar. '57	5.459		
Oct. '55	5.055	Apr. '57	5.507		

The graph below shows the fluctuations in residential rents charted from the figures compiled by the Bureau of Labor Statistics and its consumer price index. This is based on rent samples from many parts of the United States. These figures are available from 1913 to the present.

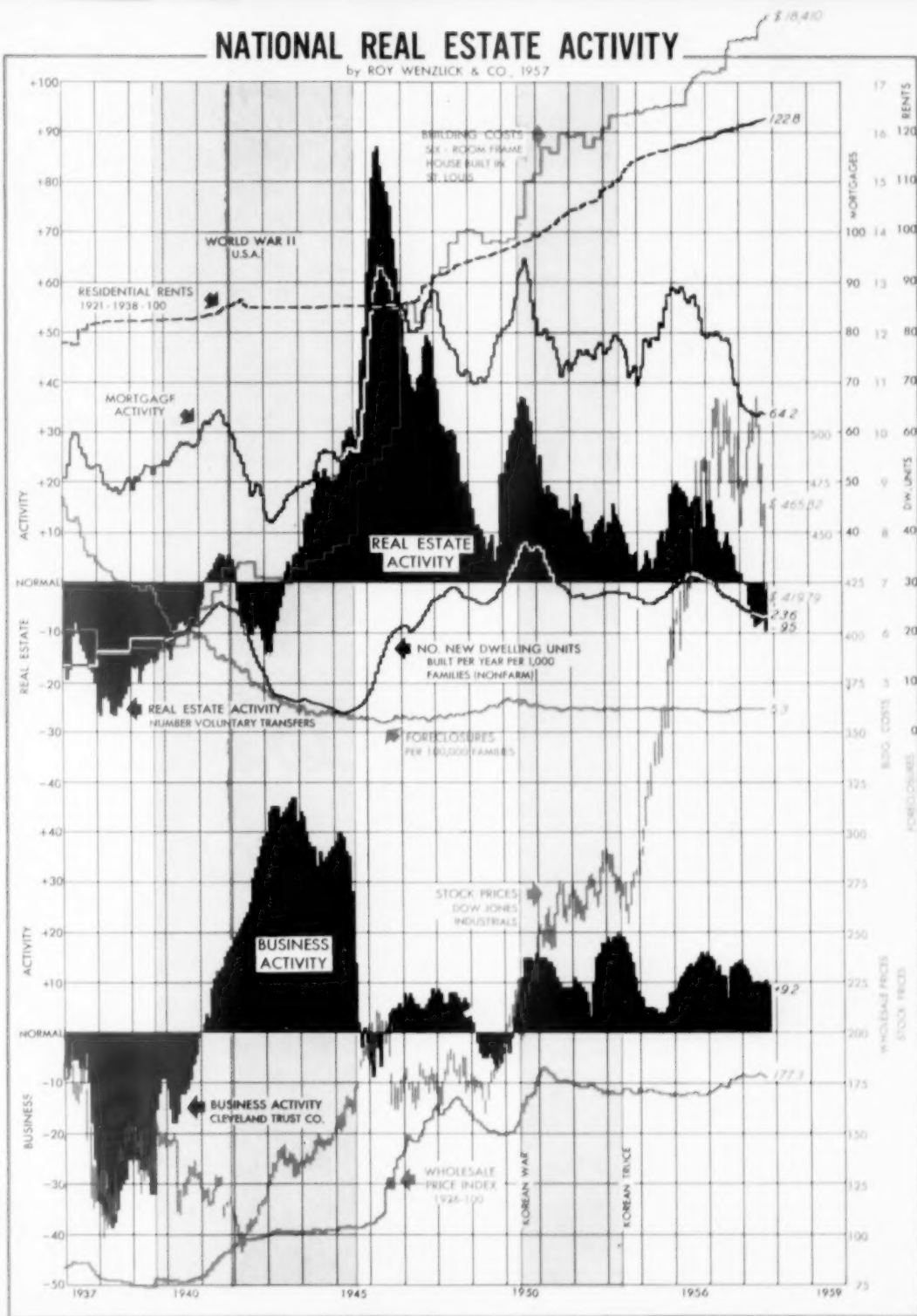
The strength of residential rents is due to a number of factors, which include such things as the fact that in the building boom we have just come through, a relatively small percentage of the building which was done comprised dwelling units of the rental type. This is in contrast with the boom of the 1920's, when at the peak, 44% of the dwelling units which were being built were in the rental classification. Even at the height of the 608 activity a few years ago, the percentage of the dwellings built for rent was still remarkably low in comparison with the percentages of the past.

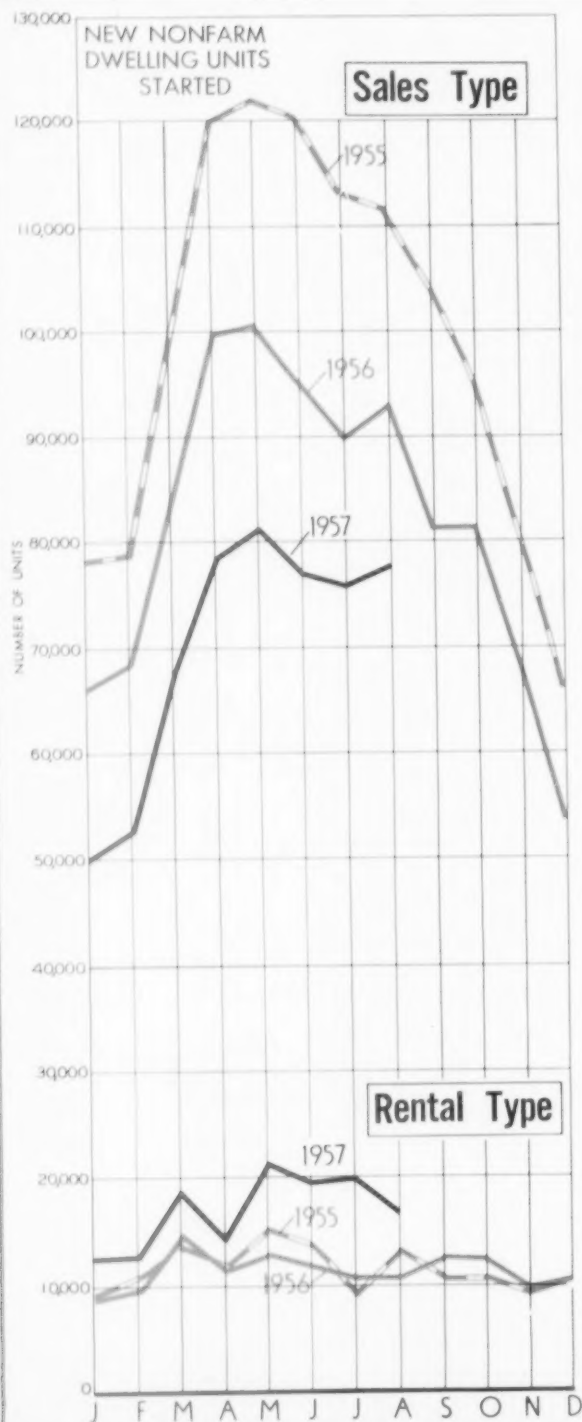
The demand for rental units will continue relatively strong, as the two age groups increasing most rapidly in our population at the present time consist of young married couples and older people, many of whom are living on retirement incomes. Both of these groups, probably through necessity, have shown a preference for rental housing.



NATIONAL REAL ESTATE ACTIVITY

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The chart opposite shows strikingly the change in trend on the construction of rental housing and sales type housing. It will be noticed that sales type housing has dropped sharply in 1956 from 1955 and in 1957 from 1956. On the other hand, rental type housing is running considerably ahead of both 1955 and 1956. It seems probable that during 1958, and some succeeding years, rental housing will fare better proportionately than owner type construction.

One other factor which should prove stimulating to rental type housing during the next few years will be the amount of urban renewal construction which will take place. Many of these projects which have been in the planning stage during the past 2 years are now getting to the point where some actual construction work can be started.

Another chart which throws some light on the nonfarm housing picture is the one at the bottom of page 535. On this chart, the top line shows the total new nonfarm housing starts. It is probable that this figure will close 1957 at near 980,000, in contrast with more than 1,300,000 in 1955.

On this chart the number of housing starts financed in different ways has been indicated. It will be noticed that the 150,000 housing starts for which no financing is necessary are now exceeding all years, except 1954 and 1955. If to these nonmort-

gaged housing starts we add those with conventional mortgages, in spite of the drop in building, the 654,600 current starts are now at a level practically equal to that of 1953 and exceeding the 639,900 units of 1955.

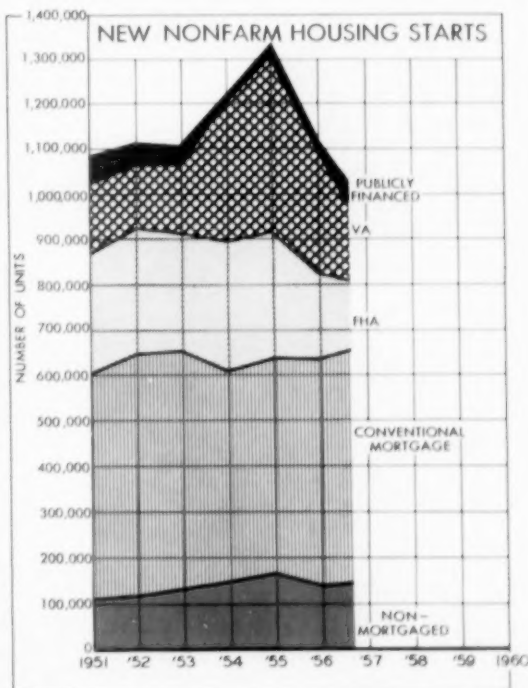
Practically the entire drop which has been experienced in housing starts has been in those financed with either VA or FHA mortgages. The current VA figure has dropped the most and is now less than half of 1955. Even if VAs and FHAs are added, the current figure is still less than half of 1955.

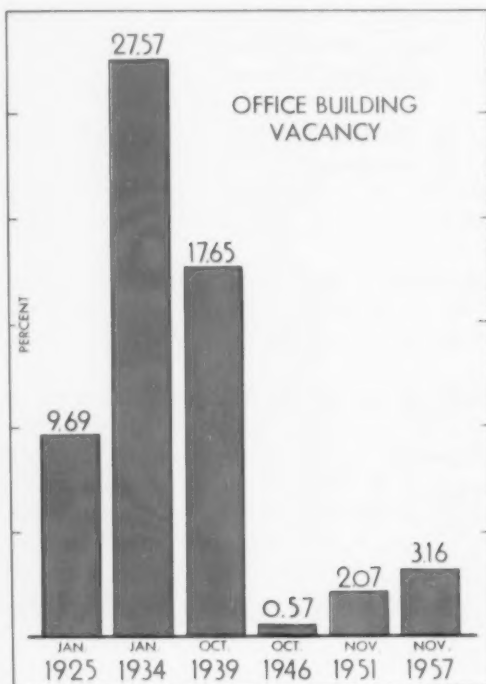
It will be noticed that the publicly financed housing units have formed, in the last few years, a smaller percentage of the total than occurred in the earlier years. This portion will probably increase during 1958.

The chart at the top of page 536 shows office building vacancy in the cities of the United States for selected periods from 1925 to the present. Even with the tremendous amount of office building construction which has been taking place in the last few years, office building vacancy is still less than a third of its level in 1925. The greater part of the office building construction in the boom of the 1920's took place in the period from 1928 through 1931, much of it after the big stock market collapse in 1929. These building plans were so far advanced at the time of the stock market collapse that many projects went ahead in spite of the unfavorable economic conditions at the time.

The tremendous increase in office building vacancy between 1925 and January 1934 was due to the large volume of new building which was thrown on the market after 1929, and to the contraction of space requirements due to the depression. This surplus had not been brought down to reasonable limits at the beginning of World War II. The great increase which occurred in business activity as a result of the war brought the national index of office building vacancy down to half of 1% by 1946. Since then, it has been climbing gradually, but is still at a relatively low level.

The most spectacular area in office building construction during the past few years has been the Island of Manhattan. In 1956, 3.9 million square feet of rentable area in office buildings was completed. This year





will add another 3.5 million square feet, and from buildings already started, we know that 1958 and 1959 will show sizable additions in office building area. These additions will not be so great as the volume for 1956.

In spite of these tremendous increases in building volume, office building vacancy in New York City is only 1.29%, which is only 41% as high as office building vacancy averages throughout the United States.

The tight money situation and high construction costs have combined in the recent past to slow down some projects. Among these has been the halting in New York City of the 46-story Astor Plaza project, which had already been started.